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Chapter 2: Circulars and Common Rules

This Guide incorporates by reference the provisions of the Office of Management and Budget (OMB) circulars and government-wide common rules applicable to grants and cooperative agreements. These circulars and common rules include the following:

OMB CIRCULARS:	
Administrative Requirements:	
OMB Circular A-102	"Grants and Cooperative Agreements with State and Local Governments," revised October 7, 1994.
OMB Circular A-110	"Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals and Other Non-Profit Organizations," November 19, 1993 (codified at 28 CFR Part 70).
Cost Principles:	
OMB Circular A-21	"Cost Principles for Educational Institutions," revised April 26, 1996 (codified at 28 CFR Part 66, by reference).
OMB Circular A-87	"Cost Principles for State, Local, and Indian Tribal Governments," revised May 4, 1995 (codified at 28 CFR Part 66, by reference).
OMB Circular A-122	"Cost Principles for Nonprofit Organizations," revised May 8, 1997 (codified at 28 CFR Part 66, by reference).
Audit Requirements:	
OMB Circular A-133	"Audits of States, Local Governments and Nonprofit Institutions," revised June 30, 1997 (codified at CFR Part 66 & Part 70).
GOVERNMENT-WIDE COMMON RULES:	
"Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Units of Governments," dated March 11, 1988 (codified at 28 CFR Part 66). (Grants Management Common Rule for State and Local Units of Governments.)	
"Government-wide Debarment and Suspension (Nonprocurement) and Government-wide Requirements for Drug-free Workplace (Grants)" (codified at 28 CFR Part 67).	
"New Restrictions on Lobbying" (codified at 28 CFR Part 69).	

NOTES

5. **Financial Capability.** When the applicant is a non-governmental entity and if there has been no recent history with OJP, a financial capability questionnaire will be provided to the applicant. This questionnaire should be completed by an independent auditor and submitted to the awarding agency before the award is made.

Federal Debt (OMB Circular A-129). The awarding agency holds recipients accountable for any overpayment, audit disallowances, or any other breach of award that results in a debt owed to the Federal government. The awarding agency shall apply interest, penalties, and administrative costs to a delinquent debt owed by a debtor pursuant to the Federal Claims Collection Standards and OMB Circular A-129.

Financial Analysis. The analysis of project applications includes:

1. Performing a cost analysis of each project application considered for funding by the awarding agency. Cost analysis includes obtaining cost breakdowns, verifying cost data, evaluating specific elements of costs, and examining data to determine the necessity, reasonableness, allowability, allocability, and appropriateness of the proposed cost. The form and extent of such an analysis will be determined by the awarding agency.
2. Accepting current Department of Justice-approved indirect cost rates or rates approved by other Federal agencies. If an applicant does not have an approved rate, they must submit an indirect cost proposal to their cognizant Federal agency.
3. Determining the adequacy of the applicant's accounting system and operations to ensure that Federal funds, if awarded, will be expended in a judicious manner. Where a non-governmental applicant (except public colleges, universities, and hospitals) has never received an award, the organization's accounting system should be reviewed prior to award or within a reasonable time thereafter to assure its adequacy and acceptability. This review should also apply where known financial or management deficiencies exist. The results of the review will determine the action to be taken by the awarding agency with regard to the award. Where an applicant has had prior awards, outstanding audit issues and delinquent audit, financial, or progress reports should be addressed prior to awarding additional funds.
4. Reviewing credit reports, delinquency status of Federal debt, and other prescreening information. The awarding agency will take such information into account when considering the application for award.

Debarment and Suspension Certification. This certification must be completed prior to recommendation for or against an award. The government-wide common rule for debarment and suspension and drug-free workplace, 28 CFR Part 67, provides guidance on requirements that recipients shall meet in order to receive Federal funds.

1. Title 28 of the Code of Federal Regulations (CFR), Part 67, provides that executive departments and agencies shall participate in a system for debarment and suspension from programs and activities involving Federal financial and non-financial assistance and benefits. Debarment or suspension of a participant in a program by one agency has government-wide effect. It is the policy of the Federal government to conduct business only with responsible persons, and these guidelines will assist agencies in carrying out this policy.
2. Certification Regarding Debarment, Suspension, Ineligibility and Other Responsibility Matters -- Primary Covered Transactions (OJP Form 4061/2 or like form). Certifications must be

completed and submitted by recipients of discretionary awards to the awarding agency's program offices during the application stage. Block/ formula recipients are exempt from submission of this certification but are responsible for monitoring subrecipient submissions of the lower tier certification (OJP Form 4061/1) and for maintaining them at the State level.

3. Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions (OJP Form 4061/1 or like form). This requirement includes persons, corporations, etc. who have critical influence on or substantive control over the award. The direct recipient will be responsible for monitoring the submission and maintaining the official subrecipient certifications.

To summarize, the debarment and suspension common rule requires that both recipients and their subrecipients certify they will comply with the debarment and suspension common rule. Subcontractors are not required to certify if their subaward is less than \$100,000.

Drug-Free Workplace Certification. This certification must be submitted prior to recommendation for or against an award. The government-wide common rule for debarment and suspension and drug-free workplace, 28 CFR Part 67, provides guidance on requirements that recipients shall meet in order to receive Federal funds.

Subpart F of 28 CFR Part 67 implements the statutory requirements of the Drug-Free Workplace Act of 1989. All recipients receiving awards from any Federal agency shall certify to that agency that they will maintain a drug-free workplace, or, in the case of a recipient who is an individual, certify to the agency that his or her conduct of award activity will be drug-free. If a recipient makes a false certification, the recipient is subject to suspension, termination, and debarment.

1. The State agency responsible for administering the block/formula award shall submit a drug-free workplace certification to the awarding agency and shall be responsible for obtaining a drug-free workplace certification from each State agency that is subawarded funds. Subrecipients who are not State agencies are not required to submit a drug-free workplace certification.
2. A recipient is required to make the required certification for each award. The one exception to this rule is that a recipient who is a State, including a State agency, may elect to make a single annual certification to each awarding agency from which it obtains awards, rather than making a separate certification for each award or workplace. Only one such annual certification need be made to each Federal agency which will cover all of that State agency's workplaces.
3. There are two different certifications: one for individuals and one for organizations. The individual recipient certifies that he or she will not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance in

NOTES

Highlights of Chapter:

- ◆ Award Document
- ◆ Acceptance Procedures
- ◆ Special Conditions
- ◆ Federal Obligation Process

Award Document. After completion of the internal review process, award applications designated for approval are formally awarded in the form of an issuance of an Award Document. This document includes:

- ! Name of recipient and subrecipient (if applicable);
- ! Award period;
- ! Type of Federal funds;
- ! Amount of Federal funds;
- ! Award number; and
- ! Special conditions, as appropriate, that the recipient/subrecipient must meet if the award is accepted.

This award notification is applicable to all award applications approved for award. Correspondence concerning the award should refer to the designated award number shown on the Award Document.

Acceptance Procedures. The Award Document constitutes the operative document obligating and reserving Federal funds for use by the recipient in execution of the program or project covered by the award. Such obligation may be terminated without further cause if the recipient fails to affirm its timely utilization of the award by signing both the award document and special conditions and returning them to the awarding agency WITHIN 45 DAYS from the date of award. COPS awards have a 90 day acceptance time frame. No Federal funds will be disbursed to the recipient until the signed acceptance has been received by the awarding agency. Recipients should review and understand all special conditions prior to the acceptance of the award.

Special Conditions include terms and conditions of the award. They may include special provisions for audit, conferences, and disposition of program income.

All Awards will include special conditions concerning: (1) compliance with this guide; (2) compliance with the audit requirements; and (3) the submission of an Equal Employment Opportunity Plan. Failure to comply with special conditions may result in a withholding of funds.

Also, the recipient, upon accepting the award, agrees to complete and keep on file, as appropriate, the Immigration and Naturalization Service Employment Eligibility Verification form (I-9). This form is to be used by recipients of Federal funds to verify that persons are eligible to work in the United States.

Commercial Award recipients receiving grant funding from OJP should be aware of the additional special conditions placed on these awards. In addition to the three special conditions referenced in the “All Awards” section, commercial organizations must agree not to make a profit as a result of an award and must agree not to charge a management fee to the performance of an award. Also, commercial organizations must agree to comply with the Federal Acquisition Regulations cost principles.

Information Technology (IT) Award recipients are prohibited from drawing funds against the award until the recipient notifies the State Information Technology Point of Contact by written correspondence of the information technology project. This correspondence should include a brief description of the project. A copy of the correspondence should be sent to the program manager. Once the copy has been received, the program manager will retire this condition and inform you of this action. If there is no State Information Technology Point of Contact, the recipient agrees to submit a letter to the program manager stating that this condition is not applicable for that reason. The intent of this condition is to facilitate information system communication. This condition does not require that the point of contact concur with the information technology project.

Cancellation for Block and Formula Subawards. The State must condition each block and formula subaward to include the following cancellation procedures.

1. **Commencement Within 60 Days.** If a project is not operational within 60 days of the original start date of the award period, the subrecipient must report by letter to the State the steps taken to initiate the project, the reasons for delay, and the expected start date.
2. **Operational Within 90 Days.** If a project is not operational within 90 days of the original start date of the award period, the subrecipient must submit a second statement to the State explaining the implementation delay. Upon receipt of the 90-day letter, the State may cancel the project and request the Federal agency approval to redistribute the funds to other project areas. The State may also, where extenuating circumstances warrant, extend the implementation date of the project past the 90-day period. When this occurs, the appropriate subaward files and records must so note the extension.

Federal Obligation Process. After an award has been signed by the Federal awarding agency, the amount of the award is considered an obligation of the Federal government and is recorded as such in its accounting system. Appropriated funds are thereby reserved against the award until all monies are expended by the recipient and subrecipient or, in the case of non-utilization of funds within statutory or other time limits, appropriated funds revert to the awarding agency through deobligation of the unused balance. In order for a recipient to receive payment once funds are obligated in OJP’s accounting system, a current SF-269A for the grant on which payment is requested must be on file with OJP. If the award date is after the begin date of the award, the first SF-269 submitted to OJP should cover the period from the begin date of the award to the end of the calendar quarter in which the award was made.

NOTES

Highlights of Chapter:

- ◆ Accounting System
- ◆ Total Cost Budgeting and Accounting
- ◆ Commingling of Funds
- ◆ Recipient and Subrecipient Accounting Responsibilities
- ◆ Cash Depositories
- ◆ Supplanting

All recipients are required to establish and maintain accounting systems and financial records to accurately account for funds awarded to them. These records shall include both Federal funds and all matching funds of State, local, and private organizations, when applicable.

State recipients shall expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Subrecipients of States shall follow the financial management requirements imposed on them by States. (State and local procedures must ensure subrecipients comply with the financial management standards found at 28 CFR Parts 66 and 70.)

Accounting System. The recipient is responsible for establishing and maintaining an adequate system of accounting and internal controls for itself and for ensuring that an adequate system exists for each of its subrecipients. An acceptable and adequate accounting system:

1. Presents and classifies projected historical cost of the grant as required for budgetary and evaluation purposes;
2. Provides cost and property control to ensure optimal use of funds;
3. Controls funds and other resources to assure that the expenditure of funds and use of property are in conformance with any general or special conditions that apply to the recipient;
4. Meets the prescribed requirements for periodic financial reporting of operations; and
5. Provides financial data for planning, control, measurement, and evaluation of direct and indirect costs.

Funds may be awarded as formula/block or discretionary awards. The various financial requirements and formulas of the awarding agency's programs, as well as the need for recipients to separately account for individual awards, require a special program account structure extending beyond normal classification by type of receipts, expenditures, assets, and liabilities.

1. **Block and Formula Awards.** To properly account for block and formula awards, the State should establish and maintain program accounts which will enable separate identification and accounting for:
 - a. Formula and block grant funds expended through programs of local government; and
 - b. Formula funds utilized to develop a State plan and to pay that portion of expenditures which are necessary for administration.
2. **Discretionary Awards.** To properly account for discretionary awards, all recipients should establish and maintain program accounts which will enable, on an individual basis, separate identification and accounting for:
 - a. Receipt and disposition of all funds (including project income);
 - b. Funds applied to each budget category included within the approved award;
 - c. Expenditures governed by any special and general provisions; and
 - d. Non-Federal matching contribution, if required.

Total Cost Budgeting and Accounting. Accounting for all funds awarded by the Federal agency shall be structured and executed on a "total program cost" basis. That is, total program costs, including Federal funds, State and local matching shares, and any other fund sources included in the approved project budget or received as program income shall be the foundation for fiscal administration and accounting. Unless otherwise prohibited by statute, applications for funding and financial reports require budget and cost estimates on the basis of total costs.

Commingling of Funds. Federal agencies shall not require physical segregation of cash deposits or the establishment of any eligibility requirements for funds which are provided to a recipient. However, the accounting systems of all recipients and subrecipients must ensure that agency funds are not commingled with funds from other Federal agencies. Each award must be accounted for separately. Recipients and subrecipients are prohibited from commingling funds on either a program-by-program basis or a project-by-project basis.

Funds specifically budgeted and/or received for one project may not be used to support another. Where a recipient's or subrecipient's accounting system cannot comply with this requirement, the recipient or subrecipient shall establish a system to provide adequate fund accountability for each project which it has awarded.

Recipient and Subrecipient Accounting Responsibilities

1. **Reviewing Financial Operations.** Direct recipients should be familiar with, and periodically monitor, their subrecipient's financial operations, records, system, and procedures. Particular attention should be directed to the maintenance of current financial data.

NOTES

PART III -- POST AWARD REQUIREMENTS

Chapter 1: Payments

Highlights of Chapter:

- ◆ Payment Methods
- ◆ Withholding of Funds
- ◆ Minimum Cash on Hand
- ◆ Interest Earned
- ◆ Cash Management Improvement Act of 1990

Payment Methods.

The Office of Justice Programs (OJP) offers two methods for requesting payment of grant funds which are Letter-of-Credit Electronic Certification System (LOCES) and the Phone Activated Paperless Request System (PAPRS). Recipients are required to complete the ACH, electronic funds transfer form. Funds will be available by electronic transfer only. Recipients are also reminded to coordinate with their respective financial institutions for an addendum record which contains payment related information for their records. Additionally, in order for a recipient to receive payments requested, a current SF-269A for the grant on which payment is requested must be on file with OJP.

LOCES is a modem connection service that allows recipients of OJP funds to electronically request payment from OJP on one day and receive a direct deposit to their bank for the requested funds usually on the following day. To make requests for payment through LOCES, an organization must have a personal computer with a 1200 or 2400 baud capable modem operating with DOS 3.1 or later. OJP requires the contact names, telephone numbers, and addresses of various individuals who will be involved in LOCES. After the LOCES Computer Information Form is received, a complete information package is sent out which contains the Vendor Express enrollment form, SF 3881. After this form is received, the LOCES program diskette and passwords are mailed separately to the authorized user to ensure security of the system.

PAPRS allows grant recipients immediate access to OJP funds through the use of a touch tone telephone. The use of electronic means to transfer money from the U.S. Treasury became law under the Debt Collection Improvement Act passed by Congress and signed by President Clinton effective July 26, 1996. Grant recipients should complete and return the Automated Clearing House (ACH) Enrollment Form included in the PAPRS information packet and return it to the OJP/OC Accounting Division (AD). Through the combined use of PAPRS and ACH, approved requests will be deposited into the grantee's financial institution within 48 hours. The grantee will receive their password/PIN and corresponding Grant ID numbers from AD. The password is to be given only to authorized persons of the grantee organization and not given to subgrantees. The recipient is solely responsible for the security of this access code. AD provides a user manual that has instructions for using the system.

Withholding of Funds. When a recipient organization receiving cash funds by letter of credit or by electronic transfer of funds to the grantee's financial institution demonstrates: (1) an

Withholding of Funds. When a recipient organization receiving cash funds by letter of credit or by electronic transfer of funds to the grantee's financial institution demonstrates: (1) an unwillingness or inability to attain program or project goals or to establish procedures that will minimize the time elapsing between cash drawdowns and expenditures; (2) cannot adhere to guideline requirements or special conditions; (3) engages in the improper award and administration of subawards or contracts; or (4) is UNABLE TO SUBMIT RELIABLE AND/OR TIMELY REPORTS; the awarding agency may withhold drawdowns and require the recipient organization to finance its operations with its own working funds until such time that the recipient organization is in compliance with its award.

Minimum Cash on Hand. Whatever payment method is used, recipient organizations should request funds based upon immediate disbursement requirements. Funds will not be paid in a lump sum, but rather disbursed over time as project costs are incurred or anticipated (with the exception of Local Law Enforcement Block Grants, LLEBG, Juvenile Accountability Incentive Block Grants, JAIBG, and State Criminal Alien Assistance Program Grants, SCAAP, which are paid in a lump sum). Recipients should time their drawdown requests to ensure that Federal cash on hand is the minimum needed for disbursements to be made immediately or within a few days.

Fund requests from subrecipients create a continuing cash demand on award balances of the State. The State should keep in mind that idle funds in the hands of subrecipients will impair the goals of cash management. All recipients must develop procedures for the disbursement of funds to ensure that cash on hand is kept at a minimal balance.

Interest Earned. Recipients and subrecipients shall minimize the time elapsing between the transfer and disbursement of funds. Recipients and subrecipients who administer confidential funds may establish different procedures for administering confidential funds to provide quick access to funds to meet the needs of the project. Also, interest income on LLEBG Block and JAIBG Block grants, must be accounted for and reported as program income and used in accordance with the provisions of Chapter 4 (Program Income) of this guide.

1. In accordance with Section 203 of the Intergovernmental Cooperation Act of 1968 (Pub. L. 90-577; 31 USC § 6503(a)), a State and its subrecipient and any agency or instrumentality of a State, including State institutions of higher education and State hospitals, but not political subdivisions of a State (cities, towns, counties, and special districts created by State law) SHALL NOT be held accountable for interest earned on grant money pending its disbursement for program purposes.

This refers to formula grant programs where subawards are made to local jurisdictions. Subrecipients under formula grant programs are held accountable for interest earned on advances.

2. In accordance with Sections 102, 103, and 104 of the Indian Self Determination Act (Pub. L. 93-638; USC §450(j)), tribal organizations SHALL NOT be held accountable for interest earned pending their disbursement by such organizations.

3. All local units of government (political subdivisions of a State, including cities, towns, counties and special districts created by State law) shall account for interest earned on Federal funds. Local units of government may keep interest earned on Federal grant funds up to \$100 PER FISCAL YEAR. This maximum limit is not per award, it is inclusive of all interest earned as a result of all Federal grant program funds received per year. Interest earned in excess of \$100 must be remitted to the United States Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852.
4. Nonprofit organizations shall account for interest earned on Federal funds. Nonprofit organizations may keep interest earned on Federal grant funds up to \$250 PER FISCAL YEAR. This maximum limit is not per award, it is inclusive of all interest earned as a result of all Federal grant program funds received per year. Interest earned in excess of \$250 must be remitted to the United States Department of Health and Human Services, Division of Payment Management Services, P.O. Box 6021, Rockville, MD 20852.

Note: Interest earned on LLEBG Block, JAIBG Block and SCAAP grants must be accounted for and reported as program income, and used in accordance with the provisions of Chapter 4 (Program Income) of this guide.

Cash Management Improvement Act of 1990. To the extent that the provisions of the Cash Management Improvement Act (CMIA) (Pub. L. 101-453) govern, payment methods of State agencies, instrumentalities, and fiscal agents must be consistent with CMIA Treasury-State Agreements or the CMIA default procedures codified at 31 CFR Part 205, "Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs." Copies of 31 CFR Part 205 may be obtained from the DOJ Response Center at 1-800-421-6770.

NOTES

Chapter 2: Period of Availability of Funds

Highlights of Chapter:

- ◆ Redesignation of Fund Year
- ◆ Availability of Awards
- ◆ Obligation of Funds
- ◆ Expenditure of Funds
- ◆ Award Extension Criteria

Redesignation of Fund Year. States are prohibited from changing their block/formula awards and their related obligations and expenditures from one Federal fiscal year to another Federal fiscal year.

Availability of Awards. Block/formula grants administered by the Bureau of Justice Assistance (BJA) and the Office of Juvenile Justice and Delinquency Prevention (OJJDP) are awarded for the Federal fiscal year of the appropriation plus two additional Federal fiscal years.

Formula grants administered by the Office for Victims of Crime (OVC) awards are available for the fiscal year of the award plus three additional fiscal years.

Discretionary awards made by OJP offices and bureaus are awarded for a specified time and a particular award period is established for each award (usually 12 or 18 months).

Obligation of Funds. An obligation occurs when funds are encumbered, such as a valid purchase order or requisition to cover the cost of purchasing an authorized item on or after the begin date and up to the last day of the grant period in the award. Any funds not properly obligated by the recipient within the grant award period will lapse and revert to the awarding agency. The obligation deadline is the last day of the grant award period unless otherwise stipulated. (**Example:** If the award period is 10/1/98 to 9/30/99, the obligation deadline is 9/30/99). Block/formula grantees and subgrantees must complete performance during the obligation period. Performance as a result of a contract under a block/formula grant may be completed during the expenditure period not to exceed 90 days after the end date of the grant. No additional obligations can be incurred after the end of the grant.

Note: LLEBG Block Grants beginning with 1999, the obligation period will begin after the required public hearing and advisory board meeting(s).

Expenditure of Funds. Block, formula, and discretionary funds which have been properly obligated by the end of the award period will have 90 days in which to be liquidated (expended). Any funds not liquidated at the end of the 90-day period will lapse and revert to the awarding agency, unless a grant adjustment notice extending the liquidation period has been approved. (**Example:** If the award period is 10/1/98 to 9/30/99, the expenditure deadline is 12/29/99).

- a. Housing and Community Development Act of 1974, 42 USC §5301, et seq. (subject to the applicable policies and restrictions of the Department of Housing and Development).
 - b. Appalachian Regional Development Act of 1965, 40 USC §214.
3. Equitable Sharing Program, 21 USC §881(e) (current guidelines developed by the DOJ Asset Forfeiture Office apply). Forfeited assets used as match from the Equitable Sharing Program would be adjudicated by a Federal court.
4. Funds contributed from private sources.
5. Program income and the related interest earned on that program income generated from projects may be used as match provided it is identified and approved prior to making an award.
6. Program income funds earned from seized assets and forfeitures (adjudicated by a State court, as State law permits).
7. Funds appropriated by Congress for the activities of any agency of a Tribal government or the Bureau of Indian Affairs performing law enforcement functions on Tribal lands may be used as matching funds.
8. Otherwise authorized by law.

Timing of Matching Contributions. Matching contributions need not be applied at the exact time or in proportion to the obligation of the Federal funds. However, the full matching share must be obligated by the end of the period for which the Federal funds have been made available for obligation under an approved program or project. Time-phased matching may be required by the awarding agency on awards to non-governmental recipients.

Records for Match. Recipients and their subrecipients must maintain records which clearly show the source, the amount, and the timing of all matching contributions. In addition, if a program or project has included within its approved budget contributions which exceed the required matching portion, the recipient must maintain records of them in the same manner as it does the awarding agency funds and required matching shares. For all block/formula funds, the State has primary responsibility for subrecipient compliance with the requirements. For all discretionary funds, the recipient and the subrecipient or contractual recipient have shared responsibility for ensuring compliance with the requirements regarding matching shares.

Waiver of Match.

1. 42 USC §3754(a) of the Omnibus Crime Control Act provides that, in the case of funds distributed to an Indian tribe which performs law enforcement functions (as determined by the Secretary of the Interior) for any program or project described in 42 USC §3752 of the Crime Control Act, the Federal portion shall be 100 percent of such cost.

2. 42 U.S.C. §5675 (c) (1) of the Juvenile Justice Act provides that, in the case of an award under Title II to an Indian tribe, if the Administrator, Office of Juvenile Justice and Delinquency Prevention (OJJDP), determines that the tribe does not have sufficient funds available to meet the local share of the cost of any program or project to be funded under the award, the Administrator may increase the Federal share of the cost thereof to the extent the Administrator deems necessary. This provision applies also to cooperative agreements.
3. In accordance with 48 USC §1469a, the awarding agency, in its discretion, may waive any requirement for matching funds under \$200,000 otherwise required by law to be provided by the certain insular areas. This waiver applies to ALL awards made to American Samoa, Guam, Virgin Islands, and Northern Mariana Islands.

Match Limitation. A certification must be provided that Byrne Formula funds required to pay the non-Federal portion of the cost of each program and project for which such grant is made may be in addition to funds that would otherwise be made available for law enforcement programs by the recipients of grant funds. This certification shall be in writing and submitted with the application for funding.

- b. To avoid problems arising from overtime, holiday pay, night differential, or related payroll regulations, such employment arrangements should normally be made by the recipient or subrecipient directly with the individual, unless there has been a transfer or loan of the employee for which his regular and overtime services provided are to be charged to or reimbursed by the recipient or subrecipient. Overtime and night differential payments are allowed only to the extent the payment for such services is in accordance with the policies of the State or unit(s) of local government and has the approval of the State or the awarding agency, whichever is applicable.

Note: The overtime premium should be prorated among the jobs and not charged exclusively to the awarding agency funds.

- c. Payment of these premiums will be for work performed by award or subaward employees in excess of the established work week (usually 40 hours). Executives, such as the President or Executive Director of an organization, may not be reimbursed for overtime or compensatory time under grants and cooperative agreements. Payment of continued overtime is subject to periodic review by the awarding agency.

3. **Award Purposes and Dual Compensation.** Charges of the time of State and local government employees assigned to assistance programs may be reimbursed to the extent they are directly and exclusively related to the award or proper for inclusion in the indirect cost base.

Note: In no case is dual compensation allowable. That is, an employee of a unit of government may not receive compensation from their unit or agency of government AND from an award for a single period of time (e.g., 1 p.m. to 5 p.m.), even though such work may benefit both activities.

Conferences and Workshops. Allowable costs may include:

- ! Conference or meeting arrangements;
- ! Publicity;
- ! Registration;
- ! Salaries of personnel;
- ! Rental of staff offices ;
- ! Conference space;
- ! Recording or translation services;
- ! Postage;
- ! Telephone charges;
- ! Travel expenses (including transportation and subsistence for speakers or participants); and

- ! Lodging (Effective January 1, 2001, all OJP funded contracts for events that include lodging for 30 or more participants must not exceed the Federal per diem rate for lodging. In the event the lodging rate is not the Federal per diem rate or less, none of the lodging costs associated with the event would be allowable costs to the award. As a result, the recipient would be required to pay for all lodging costs for the event, not just the amount in excess of the Federal per diem. For example, if the Federal per diem for lodging is \$78 per night, and the event lodging rate is \$100 per night, the recipient must pay the full \$100 per night with non-grant funds, not just the difference of \$22 per night.)

Food and Beverages. Food and/or beverage expenses provided by recipients are allowable subject to conditions stated below:

- ! Food and/or beverages were provided to participants at training sessions, meetings, or conferences that are allowable activities under the particular OJP program guidelines.
- ! Expenses incurred for food and/or beverages and provided at training sessions, meetings, or conferences must satisfy the following three tests:
 - S The cost of the food and/or beverages provided are considered to be reasonable.
 - S The food and/or beverages provided are subject of a work-related event.
 - S The food and/or beverages provided are not directly related to amusement and/or social events.
- ! Recipient is following the applicable definitions for food and beverages contained in the Financial Guide glossary.

Each recipient that desires to purchase food and/or beverages under a grant or contract under a grant should follow the food and beverage policy guidelines. Guidance should be applied within the context of each individual situation. While food and/or beverages are allowable, recipients are not required to provide them at training sessions, meetings, or conferences.

NOTE: The presence of Federal employees does not prevent the recipient from providing food and beverages under its three-part test.

To determine whether costs associated with food and/or beverages are allowable, the recipient or sub-recipient providing the food and/or beverages must consider:

1. to whom the food and/or beverages will be provided;

2. under what conditions the food and/or beverages will be provided; and
3. that the appropriate test(s) has been satisfied. For example:
 - a. A recipient sponsored event is held at the L'Enfant Plaza Hotel to discuss policy topics. The event includes a working lunch with a speaker and breaks at which food and beverages are offered. Federal agency employees, as well as employees of the recipient and non-agency persons are invited.

This scenario meets all components of the test; therefore, food and beverages **may** be provided with grant funds.

- b. A recipient offers a "hospitality suite" the night before its conference at the L'Enfant Plaza Hotel. Federal agency employees, as well as employees of the recipient and non-agency persons are invited.

This scenario fails the test because food and beverages must not be directly related to amusement or social events. Although the conference is work-related, the hospitality suite is purely a "social event." Therefore, food and beverages **may not** be provided with grant funds.

NOTE: Food and beverage costs for events within events may be unallowable. For example: **“Unallowable”** - Event A includes 200 participants and food and beverages are requested for event B, which directly relates to event A, but includes only a small percentage of the 200 participants from Event A. Thus, food and beverage costs at event B are unallowable since a attendance at the event is not mandatory for all participants from Events A and B. **“Allowable”** - If the purpose of event B is to discuss or work on topics unrelated to event A, food and beverage costs may be allowable for event B.

Federal funds are governed by the "cost principles" of the Office of Management and Budget (OMB). Cost principles are the Federal rules that determine the extent of reimbursement of grant expenses. Generally, allowable costs include costs that are reasonable and necessary for the successful completion of the project. **Unallowable costs include, but are not limited to costs directly related to entertainment or to the purchase of alcohol.** The cost principles are outlined in Chapter 2 of this Guide.

NOTE: Anyone under per diem allowances or reimbursements who is attending any of these events at which food and beverages are provided must deduct the cost of any meals (i.e. lunch, dinner) provided from his/her per diem allowances.

The top ten tips for provisions of food and beverages under OJP grants are as follows:

1. Provide a speaker at a lunch or dinner

2. Support the event with a formal agenda
3. Event must be mandatory for all participants
4. Do not pay for bar charges using registration fees, i.e. program income
5. Do not make alcohol available at the event
6. Provide appropriate break foods
7. Surrounding events must provide several hours of substantive information
8. Do not end events with a meal and/or break
9. Costs must be reasonable
10. As a participant, reduce per diem appropriately

NOTE: Exhibits are not deemed substantive information.

Travel. Travel costs are allowable as expenses by employees who are in travel status on official business. These costs must be in accordance with Federal or an organizationally-approved travel policy.

1. **Domestic Travel.** Recipients may follow their own established travel rates, however, the Office of the Comptroller reserves the right to determine reasonableness of those rates. If a recipient does not have a written travel policy, the recipient must abide by the Federal travel policy. Subrecipients of States must follow their State's established travel policy. If a State does not have an established travel policy, the subrecipient must abide by the Federal travel rates. The current travel policy and per diem rate information is available at the GSA website. This website is: www.gsa.gov.
2. **Foreign Travel** includes any travel outside of Canada and the United States and its territories and possessions. However, for a recipient or subrecipient located outside Canada and the United States and its territories and possessions, foreign travel means travel outside that country. Prior approval is required for all foreign travel (see page 101).

Space. The cost of space in privately- or publicly-owned buildings used for the benefit of the program is allowable subject to the conditions stated below:

- ! The total cost of space may not exceed the rental cost of comparable space and facilities in a privately-owned building in the same locality.
- ! The cost of space procured for program usage may not be charged to the program for periods of non-occupancy, without authorization of the Federal awarding agency.

1. **Rental Cost.** The rental cost of space in a privately-owned building is allowable. Rent cannot be paid if the building is owned by the grantee or if the grantee has a substantial financial interest in the property. However, the cost of ownership is an allowable expense. Similar costs for a publicly-owned building are allowable where "rental rate" systems, or equivalent systems that adequately reflect actual costs, are employed.

Such charges must be determined on the basis of actual cost (including depreciation based on the useful life of the building, operation and maintenance, and other allowable costs). Where these costs are included in rental charges, they may not be charged elsewhere. No costs will be included for purchases or construction that were originally financed by the Federal government.

2. **Maintenance and Operation.** The cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, normal repairs and alterations, and the like are allowable to the extent they are not otherwise included in rental or other charges for space.
3. **Rearrangements and Alterations.** Costs incurred for rearrangement and alteration of facilities required specifically for the award program or those that materially increase the value or useful life of the facility are allowable when specifically approved by the awarding agency.
4. **Depreciation and Use Allowances on Publicly-Owned Buildings.** Depreciation or a use allowance on idle or excess facilities is NOT ALLOWABLE, except when specifically authorized by the Federal awarding agency.
5. **Occupancy of Space Under Rental-Purchase or a Lease with Option-to-Purchase Agreement.** The cost of space procured under such arrangements is allowable when specifically approved by the awarding agency.

This type of arrangement may require application of special matching share requirements under construction programs.

Printing shall be construed to include and apply to the process of composition, plate-making, presswork, binding, and microfilm; the equipment, as classified in the tables in Title II of the Government Printing and Binding Regulations, published by the Joint Committee on Printing, Congress of the United States, and as used in such processes; or the end items produced by such processes and equipment. Pursuant to the Government Printing and Binding Regulations, no project may be awarded primarily or substantially for the purpose of having material printed for the awarding agency. The Government Printing and Binding Regulations allow:

1. **Issuance.** The issuance of a project for the support of non-government publications, provided such projects were issued pursuant to an authorization of law and were not made primarily or substantially for the purpose of having material printed for the awarding agency.
2. **Publications by Recipients/Subrecipients.** The publication of findings by recipients/subrecipients within the terms of their project provided that such publication is not primarily or substantially for the purpose of having such findings printed for the awarding agency.

Publication shall be construed as the initiation of the procurement of writing, editing, preparation of related illustration material, including videos, from recipients/subrecipients, or the internal printing requirements of the recipient/subrecipient necessary for compliance with the terms of the project. However, individuals are authorized to make or have made by any means available to them, without regard to the copyright of the journal, and without royalty a single copy of any such article for their own use.

Project directors are encouraged to make the results and accomplishments of their activities available to the public. A recipient/subrecipient who publicizes project activities and results shall adhere to the following:

1. Responsibility for the direction of the project activity should not be ascribed to the awarding agency. The publication shall include the following statement: "The opinions, findings, and conclusions or recommendations expressed in this publication/program/exhibition are those of the author(s) and do not necessarily reflect the views of the Department of Justice." The receipt of awarding agency funding does not constitute official recognition or endorsement of any project. A separate application for Official Recognition may be filed with the awarding agency.
2. All materials publicizing or resulting from award activities shall contain an acknowledgement of the awarding agency assistance. An acknowledgement of support shall be made through use of the following or comparable footnote: "This project was supported by Award No. _____ awarded by the (name of specific office/bureau) , Office of Justice Programs." If the awarding agency is not OJP, language should reflect the proper agency name. The Americans with Disabilities Act (ADA) technical assistance grant program and the Office of Special Counsel for Immigration Related Unfair Employment Practices (OSC) grant program are awarded through the Civil Rights Division, DOJ.
3. A recipient/subrecipient is expected to publish or otherwise make widely available to the public, as requested by the awarding agency, the results of work conducted or produced under an award.
4. All publication and distribution agreements with a publisher shall include provisions giving the Federal government a royalty-free, non-exclusive, and irrevocable license to reproduce, publish, or otherwise use and to authorize others to use for Federal government purposes. (See Copyrights section of Chapter 6 of this Guide.) The agreements with a publisher should contain information on the awarding agency requirements.
5. Unless otherwise specified in the award, the recipient/subrecipient may copyright any books, publications, films, or other copyrightable material developed or purchased as a result of award activities. Copyrighted material shall be subject to the same provisions of the Federal government.
6. The recipient/subrecipient shall be permitted to display the official awarding agency LOGO in connection with the activities supported by the award. In this respect, the LOGO shall appear in a separate space, apart from any other symbol or credit. The

words "Funded/Funded in part by OJP" shall be printed as a legend, either below or beside the LOGO, each time it is displayed. Use of the LOGO must be approved by the awarding agency.

7. The recipient/subrecipient shall submit a publication and distribution plan to the awarding agency before materials developed under an award are commercially published or distributed. The plan shall include a description of the materials, the rationale for commercial publication and distribution, the criteria to be used in the selection of a publisher, and, to assure reasonable competition, the identification of firms that will be approached. Prior agency approval of this plan is required for publishing project activities and results when Federal funds are used to pay for the publication.

Duplication. A requirement for a recipient/subrecipient to duplicate less than 5,000 units of only one page, or less than 25,000 units in the aggregate of multiple pages, of its findings for the awarding agency will not be deemed to be printing primarily or substantially for the awarding agency (e.g., 5,000 copies of five pages, etc.). For the purpose of this paragraph, such pages may not exceed a maximum image size of 10 3/4" by 14 1/4".

Production. A requirement for a recipient/subrecipient to produce less than 250 duplicates from original microfilm will not be deemed to be printing primarily or substantially for the awarding agency. Microfilm is defined as one roll of microfilm 100 feet in length or one microfiche.

Other Allowable Costs.

1. **Software development** is an allowable cost and may be expensed in the period incurred with no dollar limitation.
2. **Depreciation** is an allowable cost and an accelerated method should not be used.
3. **Post-employment benefits** are allowable costs if funded in accordance with actuarial requirements. Funds must be paid within six months of recordation.
4. **Technology awards** are allowable costs and drawdown of funds may be prohibited until the State Information Technology Point of Contact person has received written notification of the project and a Grant Adjustment Notice (GAN) has been issued by the awarding agency.

NOTES

Highlights of Chapter:

- ◆ Procurement Standards
- ◆ Construction Requirements
- ◆ Professional Services

Procurement Standards.

1. **General.** A State shall follow the same policies and procedures it uses for procurement from its non-Federal funds. The State shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Subrecipients of States shall follow the procurement requirements imposed upon them by the States. Other recipients and subrecipients will follow OMB Circular A-110.
2. **Standards.** Recipients and subrecipients shall use their own procurement procedures and regulations, provided that the procurement conforms to applicable Federal law and the standards identified in the Procurement Standards Sections of 28 CFR Parts 66 and 70. Any recipient/subrecipient whose procurement system has been certified by a Federal agency is not subject to prior approval requirements of 28 CFR Parts 66 and 70. The awarding agency's prior approval will only be required for areas beyond limits of the recipient/subrecipient certification.
3. **Adequate Competition.** All procurement transactions, whether negotiated or competitively bid and without regard to dollar value, shall be conducted in a manner so as to provide maximum open and free competition. All sole source procurements in excess of \$100,000 must receive prior approval of the awarding agency. Interagency agreements between units of government are excluded from this provision.
4. **Non-competitive Practices.** The recipient/subrecipient shall be alert to organizational conflicts of interest or non-competitive practices among contractors which may restrict or eliminate competition or otherwise restrain trade. Contractors that develop or draft specifications, requirements, statements of work, and/or Requests for Proposals (RFPs) for a proposed procurement shall be excluded from bidding or submitting a proposal to compete for the award of such procurement. Any request for exemption must be submitted in writing to the awarding agency.

Construction Requirements. The following policies and procedures relevant to construction are applicable to recipients/subrecipients. For the purpose of determining the appropriate fund ratios for construction projects, refer to the legislation which authorizes the construction.

1. **Under the Juvenile Justice Act (OJJDP),** construction means the acquisition, expansion, remodeling, and alteration of existing buildings and initial equipment of any such buildings or any combination of such activities (including architects' fees, but not the cost of acquisition of land for buildings).
2. **Under the Boot Camp Initiative,** construction means the erection, acquisition, renovation, repair, remodeling or expansion of new or existing buildings or other physical

facilities, and the acquisition or installation of initial equipment.

Initial equipment includes heating, plumbing, air conditioning, and electrical services and similar fixed equipment items but does not include equipment not inherently a part of the facility, such as office furniture and equipment.

3. **Qualifications.** When considering the use of agency funds for construction, recipients/subrecipients must be cognizant of the following qualifications as to their use:
 - a. Costs which are incurred as an incidental and necessary part of a program and which are for renovation, remodeling, maintenance, and repair costs which do not constitute capital expenditures ARE generally allowable but may NOT exceed 10 percent of total project costs, unless that is the purpose of the project.
 - b. The total cost of a construction project includes the cost of site preparation, including demolition of existing structures. Any proceeds realized for site preparation activities (e.g., salvage value of structures demolished or the proceeds from sale of timber) shall be applied to the project (program income) and used to reduce the total cost of the construction project.
 - c. Payment of relocation costs shall be in accordance with the "Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970," 42 USC 4601, et seq.
 - d. Funds may not be obligated by recipients/subrecipients until recipients/subrecipients have contacted OJP and assisted OJP in satisfactorily completing any applicable OJP procedures by complying with the National Historic Preservation Act, the National Environmental Policy Act, and other related federal environmental impact analyses requirements.
4. **Special Fiscal Conditions for Construction Projects.** The awarding agency may accept the bonding policy and requirement of the subrecipients provided those policies adequately protect Federal dollars. When the awarding agency determines that their recipients of funds have policies in place that do not protect the Federal dollars the awarding agency shall require:
 - a. A bid guarantee equivalent to 5 percent of the bid price. The bid guarantee must consist of a firm commitment, such as bid bond, certified check, or negotiable instrument accompanying a bid, as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified after the forms are presented to him/her.
 - b. A performance bond on the part of the contractor for 100 percent of the contract price. "Performance bond" means a bond executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.
 - c. A payment bond on the part of the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to

ensure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

5. **Payment of Money Guaranteed by Federal Government.** Where the Federal government guarantees the payment of money borrowed by a recipient or subrecipient, the State may, at its discretion, require adequate bonding and insurance if the bonding or insurance requirements of the recipient or subrecipient are not deemed sufficient to adequately protect the interest of the Federal government. In those instances where construction of facility improvements for less than \$100,000 are contemplated and the subrecipient does not have any requirements for bid guarantees, performance bonds, and payments bonds, the State will impose State requirements on the subrecipients.
6. **Special Requirements for Juvenile Justice Act Construction Projects.**
 - a. Matching Requirement. Juvenile Justice Act funds awarded under Title II are limited to 50 percent of the cost of construction.
 - b. Source and Types of Funds. Match for construction programs and/or projects awarded to public agencies must consist of cash appropriated for the use of the recipient public agency by the awarding agency or contributed by a private agency or individual.
7. **Use of Funds.**
 - a. Construction programs and projects funded with the Juvenile Justice Act Title II funds are limited to construction of innovative community-based facilities for less than 20 people which, in the judgment of the Administrator, are necessary to carry out Part B purposes. Consequently, advance approval for all formula grant construction expenditures is required either in the approved plan or in subsequent correspondence. Facilities include both buildings and parts of sections of a building to be used for a particular program or project.
 - b. Erection of new buildings is not permitted with Juvenile Justice Act Title II funds.
 - c. Use of Juvenile Justice Act Title II funds for construction is equally applicable to programs or projects using Formula or Special Emphasis funds.

Professional Services. The customary fixed fee or profit allowance in cost-type contracts may not exceed 10 percent of the total estimated costs. This is applicable to contracts under grants.

NOTES

Chapter 11: **Reporting Requirements**

Highlights of Chapter:

- ◆ Financial Status Reports
- ◆ Program Reports

Financial Status Reports. These reports contain the actual expenditures and unliquidated obligations as incurred (at the lowest funding level) for the reporting period (calendar quarter) and cumulative for the award. OJP will not make new discretionary awards or payments on existing awards if the Financial Status Report (FSR), also known as the SF 269A, has not been filed within 45 days of the end of the most recently past quarterly reporting period. Grantees are encouraged to promptly submit such reports to avoid interruption of account services, e.g., if a request for a payment is received on June 1, then the preceding March 31 quarterly report must be on file at OJP, otherwise the payment request will be rejected. Even when there have been no outlays, a report containing zeros must be submitted to OC. Grantees are also required to maintain adequate documentation to provide an audit trail that substantiates the amounts reported on each SF 269A as submitted. The final report is due 120 days after the end date of the award.

1. **Electronic Reporting.** SF 269A reports may be submitted electronically when the recipient receives funding through LOCES.
2. **Penalty for Non-Compliance.** Future awards and fund drawdowns will be withheld if the Financial Status Report information is delinquent.
3. **Subawards.** The State must report to the awarding agency the cumulative total Federal funds subawarded for the award being reported. This information is required on all block and formula awards and shall be reported in item 12 of the SF 269A.

NOTE: Financial Status Reports are not applicable to State Criminal Alien Assistance Program (SCAAP) awards.

Program Reports. These reports are prepared in a narrative fashion in order to present information relevant to the performance of a plan, program, or project.

Penalty for Non-Compliance. Fund drawdowns may be withheld, at the request of the program office, if progress report information is delinquent or incomplete.

1. **Crime Control Act Block and Formula Funds -- Annual Performance Reports.** The States shall submit annually to the Bureau of Justice Assistance (BJA) a report which contains information as required by the legislation and the Director. This report must be submitted to BJA no later than December 31 for the activities undertaken and results achieved during the prior Federal fiscal year.

2. **Narrative Report for Juvenile Justice Act (JJA) Formula Funds.** The reporting requirement of Sections 223(2) and 223(a)(22) may be met through the submission of the Annual Plan and its updates. The Annual Plan may provide a performance report on the previously planned activities utilizing JJA formula funds. Instructions for the preparation of the SF 424 by the State are contained in 28 CFR Part 31 and in the JUVENILE JUSTICE AND DELINQUENCY PREVENTION AWARD APPLICATION KIT. These documents are available from OJJDP.
3. **Crime Victims Compensation Program.** A State receiving funds for a crime victims compensation program will be required to submit an annual performance report on the effect the Federal funds had on the program. The report will be due by November 30 each year and must report on activities for the prior Federal fiscal year (October 1 through September 30). Please see the Crime Victims Compensation Guidelines for specific reporting instructions.
4. **Crime Victims Assistance Program.** Crime victims assistance program reporting requirements are set forth in the Victims Assistance Award Program Guidelines. The State crime victims assistance agency receiving Federal victims assistance award funds is required to submit a performance report 90 days after the end of each award. The performance report will provide information on the effect the Federal funds have had on services to crime victims in the State and serve as a basis for information prepared for the Report to Congress on the Victims of Crime Act (VOCA).
5. **Categorical Assistance Progress Report, OJP Form 4587/1.** This report is prepared twice a year and is used to describe the performance of activities or the accomplishment of objectives as set forth in the approved award application.

Reporting Period. Progress reports must be submitted within 30 days after the end of the reporting periods, which are June 30 and December 31 for the life of the award. The awarding agency may opt, by special condition to the award, to combine the first report into the subsequent reporting period. For example, if the begin date on the award is June 1, the awarding agency may opt to receive the first report 30 days after the December 31 reporting period.

6. **Special Reports.** In the review and approval process for plans and applications, it is sometimes necessary for the awarding agency to require that special or unique conditions be met in order to make an award. These special conditions will vary from award to award; however, acceptance of the award by the recipient/subrecipient constitutes an agreement that the conditions will be met either prior to the project or during the course of the award period. When this is the case, special reports on the meeting of these conditions are required for submittal to the awarding agency. They are prepared free form; however, the timing, content, and process for their submittal are detailed in the award package.

NOTE: Progress Report are not applicable to State Criminal Alien Assistance Program (SCAAP) awards.

- a. Where expenditures for equipment are not fully justified by the budget and budget narrative, the awarding agency may require that the type, quantity estimated, unit, or other information be provided through the issuance of special conditions to the award.
- b. In reviewing equipment acquisition budgets and proposals, the following principles should be adhered to:
 - (1) No other equipment owned by the recipient/subrecipient is suitable for the effort.
 - (2) No requests for luxury vehicles will be approved. Vehicle requests should be reasonable, and recipients shall usually follow Internal Revenue Service (IRS) guidelines for vehicles for business use. Vehicles purchased via State or local central procurement activities as part of a unit of government fleet are generally accepted as reasonable.
 - (3) Federal funds are not used to provide reimbursement for the purchase of equipment already owned by the recipient/subrecipient.

Exception: Equipment that has been purchased for a common pool and will be charged to the award at cost value is ALLOWABLE. Equipment that has already been purchased and charged to other activities of the organization would NOT be an ALLOWABLE expense to the award.

- (4) Equipment purchased and used commonly for two or more programs has been appropriately prorated to each activity.

4. **Preagreement Costs.** Prior approval is required for preagreement costs.

- a. Block/Formula Funds. Costs which were incurred prior to the date of the subaward period may be charged to the project where the award or subaward application specifically requests support for preagreement costs. States may approve preagreement costs for subrecipients if incurred subsequent to the beginning of the Federal fiscal year of award.
- b. Discretionary Awards. Costs which were incurred prior to the start date of the award may be charged to the project only if they receive prior approval from the awarding agency.

5. **Proposal Costs.** Costs to projects for preparing proposals for potential Federal awards require PRIOR APPROVAL for:

- a. The obligation or expenditure of funds; or
- b. The performance or modification of an activity under an award/subaward project, where such approval is required.

6. **Consultant Rates.** Compensation for individual consultant services is to be reasonable and consistent with that paid for similar services in the market place. Consideration will be given to compensation including fringe benefits for those individuals whose employers do not provide the same. In addition, when the rate exceeds \$450 (excluding travel and subsistence costs) for an eight-hour day, a written PRIOR APPROVAL is required from the awarding agency. Prior approval requests require additional justification. An eight-hour day may include preparation, evaluation, and travel time in addition to the time required for actual performance. Please note, however, that this does not mean that the rate can or should be \$450 for all consultants. Rates should be developed and reviewed on a case-by-case basis and must be reasonable and allowable in accordance with OMB cost principles. Approval of consultant rates in excess of \$450 a day that are part of the original application with appropriate justification and supporting data will be approved on a case-by-case basis. The following is the policy in regard to compensation of various classifications of consultants who perform like-type services. If consultants are hired through a competitive bidding process (not sole source), the \$450 threshold does not apply.
- a. Consultants Associated with Educational Institutions. The maximum rate of compensation that will be allowed is the consultant's academic salary projected for 12 months, divided by 260. These individuals normally receive fringe benefits which include sick leave for a full 12-month period even though they normally only work nine months per year in their academic positions.
 - b. Consultants Employed by State and Local Government. Compensation for these consultants will only be allowed when the unit of government will not provide these services without cost. If a State or local government employee is providing services under a Federal grant and is representing their agency without pay from their respective unit of government, the rate of compensation is not to exceed the daily salary rate for the employee paid by the unit of government. If the State or local government employee is providing services under a Federal grant and is not representing their agency, the rate of compensation is based on the necessary and reasonable cost principles.
 - c. Consultants Employed by Commercial and Not-For-Profit Organizations. These organizations are subject to competitive bidding procedures. Thus, they are not subject to the \$450 per day maximum compensation threshold before requesting prior approval. In those cases where an individual has authority to consult without employer involvement, the rate of compensation should not exceed the individual's daily salary rate paid by his/her employer subject to the \$450 limitation.
 - d. Independent Consultants. The rate of compensation for these individuals must be reasonable and consistent with that paid for similar services in the market place. Compensation may include fringe benefits. In summary, consultants obtained through competitive bidding do not require prior approval, including individual consultants.
7. **Interest Expense.** Interest on debt incurred to: (1) acquire equipment and buildings; (2) building construction; (3) fabrication; (4) reconstruction; and (5) remodeling is an allowable cost with prior approval. This interest applies only to buildings completed

on or after 10/1/80 for State and local units of government and 9/29/95 for non-profit organizations.

8. **Foreign Travel.** Direct charges for foreign travel costs are allowable only when the travel has prior approval of the awarding agency. Indirect charges for foreign travel are allowable without prior approval of the awarding agency when included as part of a Federally approved indirect cost rate and has a beneficial relationship to the project. Each separate foreign trip must be approved. Foreign travel is defined as any travel outside of Canada and the United States and its territories and possessions. However for an organization located in foreign countries, the term “foreign travel” means travel outside that country.

NOTES

Highlights of Chapter:

- ◆ Audit Objectives
- ◆ Audit Reporting Requirements
- ◆ Failure to Comply
- ◆ Audit Thresholds
- ◆ Due Dates for Audit Reports
- ◆ Audit Compliance
- ◆ Resolution of Audit Reports
- ◆ Top Ten Audit Findings
- ◆ Audits of Subrecipients
- ◆ Technical Assistance
- ◆ Full-Scope Auditing
- ◆ Commercial (For-Profit) Organizations
- ◆ Distribution of Audit Reports
- ◆ OIG Regional Offices

This chapter establishes responsibilities for the audit of organizations receiving agency funds. The intent of this chapter is to identify the policies for determining the proper and effective use of public funds rather than to prescribe detailed procedures for the conduct of an audit.

Audit Objectives. Awards are subject to conditions of fiscal, program, and general administration to which the recipient expressly agrees. Accordingly, the audit objective is to review the recipient's administration of funds and required non-Federal contributions for the purpose of determining whether the recipient has:

1. Established an accounting system integrated with adequate internal fiscal and management controls to provide full accountability for revenues, expenditures, assets, and liabilities. This system should provide reasonable assurance that the organization is managing Federal financial assistance programs in compliance with applicable laws and regulations.
2. Prepared financial statements which are presented fairly, in accordance with generally accepted accounting principles.
3. Submitted financial reports (which may include Financial Status Reports, Cash Reports, and Claims for Advances and Reimbursements), which contain accurate and reliable financial data, and are presented in accordance with the terms of applicable agreements.
4. Expended Federal funds in accordance with the terms of applicable agreements and those provisions of Federal law or regulations that could have a material effect on the financial statements or on the awards tested.

Audit Reporting Requirements. Independent auditors should follow the requirements prescribed in OMB Circular A-133.

If the auditor becomes aware of illegal acts or other irregularities, prompt notice shall be given to recipient management officials above the level of involvement. The recipient, in turn, shall promptly notify the cognizant Federal agency of the illegal acts or irregularities and of proposed and actual actions, if any.

All awarding agency personnel have the responsibility to inform the OJP's Office of the Comptroller; DOJ's Office of Professional Responsibility and the Office of Inspector General; and State and local law enforcement agencies or prosecuting authorities, as appropriate, of any known violations of the law within their respective area of jurisdiction.

Audit costs for audits not required or performed in accordance with OMB Circular A-133 are unallowable. If the grantee did not expend \$300,000 or more in Federal funds in its fiscal year, but contracted with a certified public accountant to perform an audit; these costs may not be charged to the grant.

Failure to Comply. Failure to have audits performed as required may result in the withholding of new awards and/or withholding of funds or change in the method of payment on active grants.

Audit Threshold:

1. Non-Federal entities that expend \$300,000 or more in Federal funds (from all sources including pass-through subawards) in the organization fiscal year (12 month turn-around reporting period) shall have a single organization-wide conducted in accordance with the provisions of OMB Circular A-133.
2. Non-Federal entities that expend less than \$300,000 a year in Federal awards are exempt from Federal audit requirements for that year. Records must be available for review or audit by appropriate officials including the Federal agency, pass-through entity, and General Accounting Office (GAO).

Due Dates for Audit Reports. Audits are due no later than thirteen (9) months after the close of each fiscal year during the term of the award.

Audit Compliance. Techniques to use to determine recipient compliance with Federal requirements when an organization-wide audit is not conducted include:

1. Obtaining audits from recipient that were made in accordance with the "Government Auditing Standards."
2. Relying on previous audits performed on recipient's operations.
3. Desk reviews by program officials of project documentation.
4. Project audits by auditors or auditors obtained by recipients.
5. Evaluations of recipient's operations by program officials.

Resolution of Audit Reports. Timely action on recommendations by responsible management officials is an integral part of the effectiveness of an audit. Each recipient shall have policies and procedures for responding to audit recommendations by designating officials responsible for:

1. Following up;
2. Maintaining a record of the action taken on recommendations and time schedules for completing corrective action;
3. Implementing audit recommendations;
4. Submitting periodic reports to the Federal cognizant audit agency on recommendations and actions taken; and
5. Providing an audit special condition on all subawards. This special condition contains information, such as the audit report period, required audit report submission date, and name and address of cognizant Federal agency. The policy of the awarding agency is not to make new awards to applicants who are not in compliance with the audit requirements.

The awarding agency monitors the audit requirements through its audit tracking system and is responsible for tracking audit reports received through the audit process until resolved and closed.

Top Ten Audit Findings include:

1. Untimely report submissions;
2. Lack of documentation;
3. Inadequate monitoring of subrecipients;
4. Inadequate time/effort reports;
5. Inaccurate reports (Financial Status Reports);
6. Commingling of funds;
7. Excess cash on hand;
8. Unallowable costs;
9. Inappropriate changes; and
10. Conflicts of interest.

Audit of Subrecipients. When subawards are made to another organization(s), the recipient shall require that subrecipients comply with the audit requirements set forth in this chapter. Recipients are responsible for ensuring that subrecipient audit reports are received and for

resolving any audit findings. Known or suspected violations of any law encountered during audits, including fraud, theft, embezzlement, forgery, or other serious irregularities, must be communicated to the recipient.

For subrecipients who are not required to have an audit as stipulated in OMB Circular A-133, the recipient is still responsible for monitoring the subrecipients' activities to provide reasonable assurance that the subrecipient administered Federal awards in compliance with Federal requirements.

Technical Assistance. The Office of the Inspector General, DOJ, is available to provide technical assistance to recipients in implementing the audit requirements of this chapter where the DOJ is the assigned cognizant agency or has oversight responsibilities because it provided the preponderance of direct Federal funding to the recipient. This assistance is available for areas such as:

1. Review of the audit arrangements and/or negotiations;
2. Review of the audit program or guide to be used for the conduct of the audit; and
3. On-site assistance in the performance of the audit, when deemed necessary, as a result of universal or complex problems that arise. Requests for technical assistance should be addressed to the appropriate Regional Inspector General's Office, DOJ (see listing of regional offices).

Full-Scope Auditing. In addition to arranging and providing for the organizational, financial, and compliance audits required by the OMB Circular A-133, individual recipients and subrecipients are encouraged to provide for additional audit coverage, as deemed appropriate. The additional audit coverage that may be provided should be determined based on the circumstances surrounding the particular organization, function, program, or activity to be audited, management needs, and available audit capability. Additional audit coverage could involve such organizational determinations as related to:

1. Are resources managed and used in an economical and efficient manner?
2. Are desired results and objectives achieved in an effective manner?
3. Are the organization's accounting system and system of internal controls acceptable prior to the receipt of awarding agency funds?
4. Are the organization's systems and controls adequate to detect fraud, waste, and abuse?

Commercial (For-Profit) Organizations shall have financial and compliance audits conducted by qualified individuals who are organizationally, personally, and externally independent from those who authorize the expenditure of Federal funds. This audit must be performed in accordance with Government Auditing Standards, 1994 Revision. The purpose of this audit is to ascertain the effectiveness of the financial management systems and internal procedures that have been established to meet the terms and conditions of the award. Usually, these audits shall be conducted annually, but not less frequently than every two years. The dollar threshold for audit reports established in OMB Circular A-133, as amended, applies.

Distribution of Audit Reports. The submission of audit reports for all grantees shall be as follows:

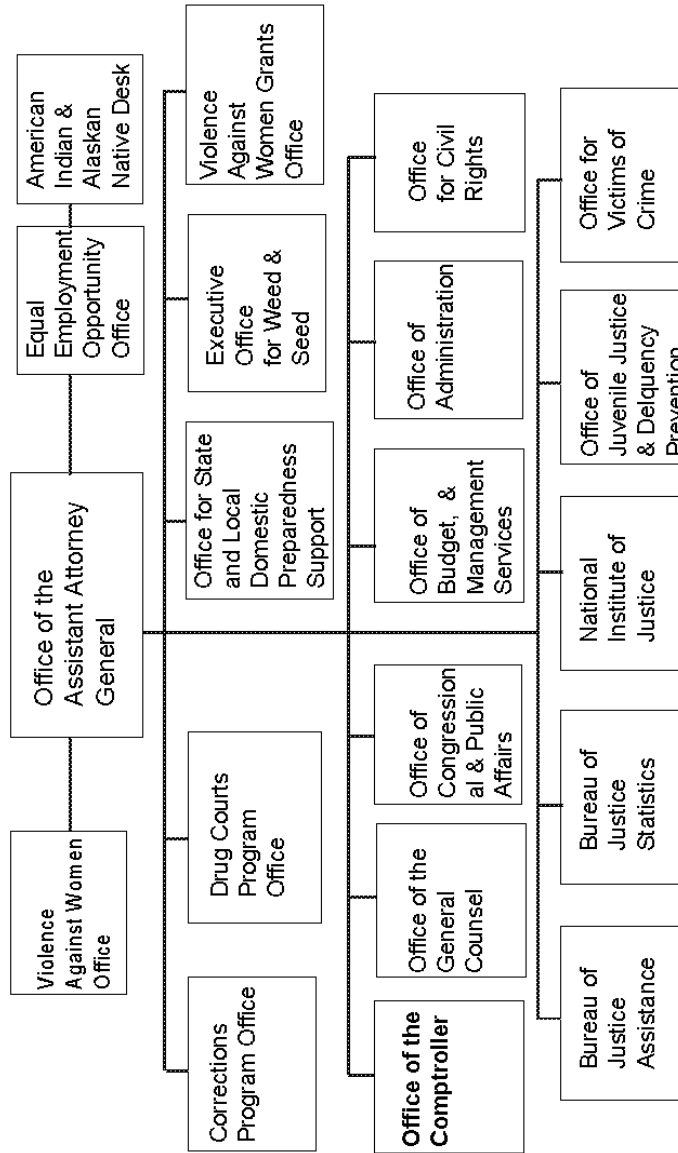
1. **State and Local Governments, Institutions of Higher Education, and Non-Profit Institutions.** All completed audit reports for State and local governments, institutions of higher education, and non-profit institutions should be mailed to the Federal Audit Clearinghouse, Bureau of the Census, 1201 East 10th Street, Jeffersonville, IN 47132. In addition, a copy of the transmittal cover letter should be mailed to the Office of the Comptroller, Office of Justice Programs, ATTN: Control Desk, U.S. Department of Justice, 810 7th Street, N.W., Room 5303, Washington, DC 20531.
2. **Commercial Organizations and Individuals.** One copy of all audit reports for commercial organizations and individuals should be mailed to the Office of the Comptroller, Office of Justice Programs, ATTN: Control Desk, U.S. Department of Justice, 810 7th Street, N.W., Room 5303, Washington, DC 20531.

OIG Regional Offices.

Regional Audit Office	Geographical Area of Responsibility
<p>Clark F. Cooper Atlanta Regional Audit Manager 75 Spring Street, Suite 1130 Atlanta, GA 30323-2401 Voice No. (404) 331-5928 Fax No. (404) 331-5046</p>	<p>Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, South Carolina, Puerto Rico, Virgin Islands</p>
<p>Mireille Jeannot Chicago Regional Audit Manager 500 West Madison, Suite 3510 Chicago, IL 60661-2590 Voice No. (312) 353-1203 Fax No. (312) 886-0513</p>	<p>Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, Wisconsin</p>
<p>George W. Stendell Dallas Regional Audit Manager 207 S. Houston Street, Box 4, Room 334 Dallas, TX 75202 Voice No. (214) 655-5000 Fax No. (214) 655-5025</p>	<p>(No single audit responsibility.)</p>
<p>David M. Sheeren Denver Area, Asst. Regional Audit Manager 1120 Lincoln Street, Suite 1603 Denver, CO 80203 Voice No. (303) 864-2000 Fax No. (303) 864-2004</p>	<p>Arkansas, Colorado, Louisiana, Montana, New Mexico, North Dakota, South Dakota, Oklahoma, Texas, Utah, Wy- oming</p>
<p>M. Thomas Clark San Francisco Regional Audit Manager 1200 Bayhill Drive, Suite 201 San Bruno, CA 94066 Voice No. (650) 876-9220 Fax No. (650) 876-0902</p>	<p>Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, American Samoa, Guam, Trust Territories of the Pacific Islands, Commonwealth of Northern Mariana Islands</p>
<p>Ferris B. Polk Philadelphia Regional Audit Manager 701 Market Street, Suite 201 Philadelphia, PA 19106 Voice No. (215) 580-2111 Fax No. (215) 597-1348</p>	<p>Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jer- sey, New York, Pennsylvania, Rhode Is- land, Vermont</p>
<p>Domenic A. Zazzaro Washington Regional Audit Manager 1425 New York Ave., Suite 6001 NW., Washington, D. C. 20005 Voice No. (202) 616-4688 Fax No. (202) 616-4581</p>	<p>District of Columbia, Maryland, Virginia, West Virginia</p>

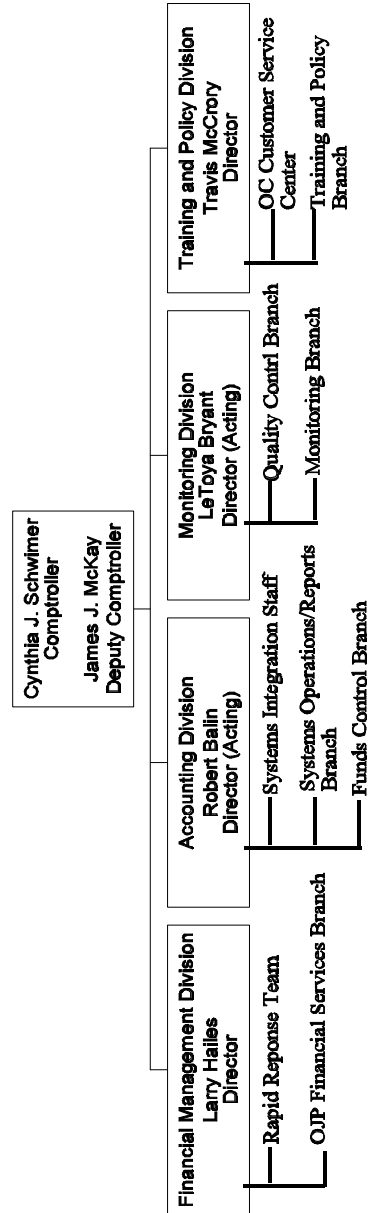
Office of Justice Programs Organization Chart.

Office of Justice Programs Organization Chart



Office of the Comptroller Organization Chart.

Office of the Comptroller Organizational Structure



NOTES

Highlights of Chapter:

- ◆ Office of Juvenile Justice and Delinquency Prevention
- ◆ Bureau of Justice Statistics
- ◆ National Institute of Justice
- ◆ Bureau of Justice Assistance
- ◆ Office for Victims of Crime
- ◆ Civil Rights Division
 - Americans with Disabilities Act Technical Assistance Grant Program
 - Office of Special Counsel for Immigration Related Unfair Employment Practices
- ◆ Drug Courts Program Office
- ◆ Corrections Program Office
- ◆ Violence Against Women Grants Office
- ◆ Executive Office of Weed and Seed

OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

Formula Grants

16.540 Juvenile Justice and Delinquency Prevention - Allocation to States

AUTHORIZATION: Juvenile Justice and Delinquency Prevention Act of 1974, Section 221-223, Public Law 93-415, as amended, Public Laws 95-115, 96-509, 98-473, 100-690, and 102-586, codified as amended at 42 U. S. C. 5631-5633.

OBJECTIVES: To increase the capacity of State and local governments to support the development of more effective education, training, research, prevention, diversion, treatment, accountability based sanctions, and rehabilitation programs in the area of juvenile delinquency and programs to improve the juvenile justice system.

USES AND USE RESTRICTIONS: This program, established by the Juvenile Justice and Delinquency Prevention Act of 1974, allocates formula grant funds to States and territories on the basis of their relative population under age 18. The minimum allocation to each State is \$600,000 and to the Territories is \$100,000. States/Territories must demonstrate compliance with four core requirements of the JJDP act in order to receive their full allocation of Formula Grants funds.

The core requirements are: Section 223 (A) deinstitutionalization of status offenders; (B) separation of adults and juveniles in secure custody; (C) removal of juveniles from adult jails and lockups; and (D) the elimination of the disproportionate confinement of minority juveniles, where such conditions exist. Technical Assistance: Not in excess of two percent of the funds available each fiscal year to Formula Grants is available for grants and contracts with public and private agencies, organizations and individuals to provide assistance to The State's allocation will be reduced by 25% for each core requirement with which the State is in non-compliance. States, units of general local governments, and combinations thereof, and local private agencies to facilitate compliance with Section 223 of the JJDP Act and implementation of the State Plan approved by OJJDP. Technical assistance provided under this provision must be coordinated with the State agencies designated to implement the Formula Grants program.

To be eligible for formula grant funds, a State must submit a comprehensive plan applicable to a three-year period embodying the purposes of the Act and including provisions that:

- (1) provide for an advisory group appointed by the chief executive of the State to carry out specified functions and to participate in the development and review of the State's juvenile justice plan;

criteria as the State shall adopt.

Beneficiary Eligibility: A State and its units of general local government, involved in juvenile delinquency prevention programs.

Credentials/Documentation: Cost will be determined in accordance with OMB Circular No. A-87 for State and local governments.

Formula and Matching Requirements: State or units of general local government must match Title V funds with a 50% cash contribution or the value equivalent of an in-kind contributions.

16.549 Part E State Challenge Activities (Challenge Grants)

AUTHORIZATION: Juvenile Justice and Delinquency Prevention Act of 1974, Section 285, Public Law 93-415 as amended; Public Law 102-586, codified as amended at 42 U.S.C. 5667c.

OBJECTIVES: The purpose of the Challenge Grant Program is to provide incentives for States participating in the Formula Grants Program to develop, adopt, and approve policies and programs in one or more of ten specified challenge activities to improve the State's juvenile justice system.

USES AND USE RESTRICTIONS: Funds must be used to support the ten challenge activities specified in Section 285(b)(2) of the JJDP Act, as amended.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: The only eligible applicants for Part E Challenge Grants in a given fiscal year are the State agencies, designated by the Chief Executive of the State pursuant to Section 223(a)(1) of the JJDP Act, which receive OJJDP Formula Grant awards under Section 223 of the JJDP Act for the same fiscal year.

Beneficiary Eligibility: State governments participating in the OJJDP Formula Grant Program.

Credentials/Documentation: Costs will be determined in accordance with OMB Circular No. A-87 for State and local governments.

Formula and Matching Requirements: Each State may apply for a Part E grant in an amount equal to the sum of not more than 10 percent of such State's Formula Grant allocation received, for each Challenge activity in which the State chooses to participate, not to exceed the total amount of the State's Part E allocation. No matching funds are required.

16.726 Juvenile Mentoring Program (JUMP)

AUTHORIZATION: Juvenile Justice and Delinquency Prevention Act of 1974, Section 288, Public Law 93-415, as amended; Public Laws 102-586 and 103-322; codified as amended at 42 U.S.C. 5667e.

OBJECTIVES: To reduce juvenile delinquency and gang participation, improve academic performance, and reduce the dropout rate; through the use of mentors for at-risk youth.

USES AND USE RESTRICTIONS: JUMP provides support for one-to-one mentoring programs for at-risk youth. An "at-risk youth" is, for purposes of this program, a youth who is at risk of educational failure or dropping out of school. A "mentor" is defined as an adult, 21 years or older, who works with an at-risk youth on a one-to-one basis, establishes a supportive relationship with the youth, and provides the youth with academic assistance and exposure to new experiences which enhance the youth's ability to become a responsible citizen.

ELIGIBILITY REQUIREMENTS: Eligible applicants are those that meet one or more of the following criteria:

- (1) serve at-risk youth in high crime areas;
- (2) have 60 percent or more of their youth eligible to receive funds of the Elementary and Secondary Education Act of 1965 (20 U. S. C. 6301 et seq.);
- (3) have a considerable number of youth who drop out of school each year; and
- (4) that can demonstrate knowledge of and/or experience with mentoring programs, as well as working with volunteers and youth. Mentors must be adult, 21 years or older.

Applicant Eligibility: Local education agencies (LEA) or public/private nonprofit organizations. Both entities (LEA) or public/private nonprofit organizations must collaborate with the other to implement the program. Accordingly, each applicant has specified the nature of the relationship with either the school or school agency (if the applicant is a nonprofit) or with the nonprofit (if the applicant is a LEA).

Beneficiary Eligibility: Local education agencies (LEA) and public/private nonprofit organizations.

Credentials/Documentation: Costs will be determined in accordance with OMB Circular No. A-87 for State and local governments, and OMB Circular No. A-21 for Institutions of Higher Education, Hospitals and OMB Circular No. A-122 for Nonprofit Organizations.

Matching Requirements: Special Emphasis Grants awarded under The Juvenile Justice and Delinquency Prevention Act do not require a cash match, except for construction projects, where the match is 50 percent on community-based facilities of 20 beds or less.

16.523 Juvenile Accountability Incentive Block Grant Program (JAIBG)

AUTHORIZATION: Fiscal Year 1999 Appropriations Act, Pub. L. 105-277 (1998), referencing H.R. 3 (May 3, 1997).

16.529 Drug Free Communities Program

AUTHORIZATION: Drug Free Communities Act of 1997, Pub. L. 105-20 (1997), codified at 21 U.S.C. § 1521 et seq.; Juvenile Justice and Delinquency Prevention Act, 42 U.S.C. § 5651 et seq.

16.529 Drug Free Communities Program

AUTHORIZATION: Fiscal Year 1999 Appropriations Act (1998), Pub. L. 105-277.

BUREAU OF JUSTICE STATISTICS

16.550 State Justice Statistics Program for Statistical Analysis Centers (SACs)

AUTHORIZATION: Omnibus Crime Control and Safe Streets Act of 1968, Section 301, Public Law 90-351 as amended, Public Laws 96-157, 98-473, 100-690, and 103-322; codified as amended at 42 U.S.C. 3731-3735.

OBJECTIVES: To provide financial and technical assistance to State governments for the establishment and operation of Statistical Analysis Centers (SACs) to collect, analyze, and disseminate justice statistics.

USES AND USE RESTRICTIONS: To improve the administration of justice by encouraging the development of State-level capabilities for collecting, analyzing, utilizing, and disseminating statistical information pertaining to crime and criminal justice, and for providing statistical information to the Federal Government for national compilations. To analyze particular criminal justice issues identified by BJS in conjunction with other Office of Justice Programs components which will be selected for national consistency and interest across the States and

Chapter 3: **Glossary of Terms**

Administrative requirements are set forth at 28 CFR Part 66 for State and local units of government and 28 CFR Part 70 for non-governmental organizations.

Amusement/social event is an informal gathering which is not mandatory for all participants to attain the necessary information. An indicator of a social/amusement event is a cash bar.

Awarding agency means the Federal government or the next higher authority, i.e., the State agency administering the formula award or the Federal agency administering the discretionary award.

Awards may include funding mechanisms, such as grants, cooperative agreements, interagency agreements, contracts, and/or other agreements.

Block/formula awards are awarded to the States to provide assistance to State and local units of government for programs in accordance with legislative requirements.

Breaks are short pauses in an ongoing informational program at trainings, meetings, conferences, or retreats. Typically, an all day event may include one break during a morning session, and one break during an afternoon session..

Break foods consist of cookies, sodas and fruits or other snack items and may be served at a training, a meeting or a conference.

CFR is the Code of Federal Regulations. The Department of Justice publishes its regulations in Title 28 of the CFR.

Closeout is a process in which the awarding agency determines that all applicable administrative actions and all required work of the award have been completed by the recipient and the awarding agency.

Cognizant Federal agency is the Federal agency that generally provides the most Federal financial assistance to the recipient of funds. Cognizance is assigned by the Office of Management and Budget (OMB). Cognizant agency assignments for the largest cities and counties are published in the *Federal Register*. The most recent publication was dated January 6, 1986.

Conference or **meeting** is a formal event involving topical matters of general interest, (i.e., matters that will contribute to improved conduct, supervision, or management of the agency's functions or activities), to Federal agency and non-Federal agency participants, rather than a routine business meeting primarily involving day-to-day agency operations and concerns. "Meeting" includes other designations, such as a conference, congress, convention, seminar, symposium, training for grantees or contractors, and workshop. See 5 U.S.C. § 4110 (1994).

Consultant is an individual who provides professional advice or services.

Continental breakfast means a light breakfast that may include selection of coffees, teas, juices, fruits, and assorted pastries and is allowable provided several hours of substantive material directly follows the continental breakfast. Grant recipients are reminded that the least expensive of the available selections should be chosen.

Contracts are entered into by the awarding agency, recipients or subrecipients, and commercial (profit-making) and non-profit organizations. With the exception of a few justified sole source situations, contracts are awarded via competitive processes to procure a good or service.

Cooperative agreements are awarded to States, units of local government or private organizations at the discretion of the awarding agency. Cooperative agreements are utilized when substantial involvement is anticipated between the awarding agency and the recipient during performance of the contemplated activity.

Discretionary awards are made to States, units of local government, or private organizations at the discretion of the awarding agency. Most discretionary awards are competitive in nature in that there are limited funds available and a large number of potential recipients.

Domestic travel includes travel within and between Canada and the United States and its territories and possessions.

Equipment is tangible non-expendable personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A recipient/sub recipient may use its own definition of equipment provided that such definition would at least include all equipment defined above.

Federal contractor is a person or entity that contracts with the Federal Government to provide supplies, services, or experimental, developmental, or research work. Entities may include commercial organizations, educational institutions, construction and architect-engineer companies, State and local governments, and non-profit organizations. See 48 C.F.R. §§ 31.103-105, 31.107-108 (1995).

Federal employees are those persons employed in or under an agency of the United States Federal Government or the District of Columbia. See 5 U.S.C. § 4101 (1994).

Federal grantee means the component of a State, local, or federally-recognized Indian tribal government, educational institution, hospital, or a for-profit or non-profit organization which is responsible for the performance or administration of all or some part of a federal award. See OMB Circular No. A-87, Attachment A; OMB Circular No. A-110, Attachment A.

Focus group for purposes of this Policy, means a gathering of Federal Government employees to discuss results and improvements of programs in the field. The focus group should follow a prepared agenda, be lead by an expert in the subject matter, and serve to educate the Federal employees.

Food and/or beverages retain their common meanings. Food or beverages are considered in the context of formal meals and in the context of refreshments served at short, intermittent breaks during an activity. Beverages do not include alcoholic beverages.

Foreign travel includes any travel outside of Canada and the United States and its territories and possessions.

Formal agenda provides a list of all activities that shall occur during the event, using an hour by hour time line. It must specifically include the times during the event when food and beverages will be provided.

Grants are awarded to States, units of local government, or private organizations at the discretion of the awarding agency or on the basis of a formula. Grants are used to support a public purpose.

High risk is a determination made by the awarding agency of a recipient's ability to financially administer Federal project funds. Additional reporting requirements are imposed on high risk recipients.

Incidental means relating to a formal event where full participation by participants mandates the provision of food and beverages.

Interagency agreements and purchase of service arrangements are usually entered into by two governmental units or agencies. Such funding arrangements are negotiated by the entities involved.

Match is the recipient share of the project costs. Match may either be "in-kind" or "cash." In-kind match includes the value of donated services. Cash match includes actual cash spent by the recipient and must have a cost relationship to the Federal award that is being matched. (Example: Match on administrative costs should be other administrative costs not other matching on program costs).

Non-expendable personal property includes tangible personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A recipient may use its own definition of non-expendable personal property provided that the definition would at least include all tangible personal property as defined below.

Obligation means a legal liability to pay under a grant, subgrant, and/or contract determinable sums for services or goods incurred during the grant period.

Pass-through is an obligation on the part of the States to make funds available to units of local governments, combinations of local units, or other specified groups or organizations.

Personal property means property of any kind except real property. It may be tangible (having physical existence) or intangible (having no physical existence, such as patents, inventions, and copyrights).

Preagreement costs are defined as those costs which are considered necessary to the project but occur prior to the starting date of the award period.

Prior approval means written approval by the authorized official (the next higher authority except for sole source) evidencing consent prior to a budgetary or programmatic change in the award.

Program income means gross income earned by the recipient, during the funding period as a direct result of the award. Direct result is defined as a specific act or set of activities that are directly attributable to grant funds and which are directly related to the goals and objectives of the project. Determinations of "direct result" will be made by the awarding agency for discretionary grants and by the State for block/formula subawards. Fines/penalties are not considered program income. Program income may only be used for allowable program expenses.

Purchase of evidence (P/E) is the purchase of evidence and/or contraband, such as narcotics and dangerous drugs, firearms, stolen property, counterfeit tax stamps, etc., required to determine the existence of a crime or to establish the identity of a participant in a crime.

Purchase of services (P/S) includes travel or transportation of a non-Federal officer or an informant; the lease of an apartment, business front, luxury-type automobiles, aircraft or boat, or similar effects to create or establish the appearance of affluence; and/or meals, beverages, entertainment, and similar expenses (including buy money and flash rolls, etc.) for undercover purposes, within reasonable limits.

Purchase of specific information (P/I) includes the payment of monies to an informant for specific information. All other informant expenses would be classified under P/S and charged accordingly.

Real property means land, land improvements, structures, and appurtenances thereto, excluding movable machinery and equipment.

Reasonable as means those costs which a prudent person would have incurred under the circumstances prevailing at the time the decision to incur the cost was made. Costs to consider when making judgements about reasonableness include the cost of food and beverage, total cost of the event and costs incurred relative to costs in the geographical area.

Reception as it applies to this Policy, means an informal gathering which is not mandatory for all event participants to obtain necessary information. Indicators of a reception include a cash bar, inadequate seating for the entire group, food items from a reception menu (such as finger foods) and a longer break (than utilized throughout the day) between the substantive meetings and the reception. Receptions are expressly prohibited and are considered to be an unallowable cost with Federal funds.

Recipient means an individual and/or organization that receives Federal financial assistance directly from the Federal agency.

Stipend is an allowance for living expenses. Examples of these expenses include, but are not limited to, rent, utilities, incidentals, etc.

Subrecipient means an individual and/or organization that receives Federal financial assistance from the direct recipient of Federal funds. This may include entities receiving funds as a result of block or formula awards.

Supplanting means to deliberately reduce State or local funds because of the existence of Federal funds. An example would be: When State funds are appropriated for a stated purpose and Federal funds are awarded for that same purpose, the State replaces its State funds with Federal funds, thereby reducing the total amount available for the stated purpose.

Working dinner as it relates to this Policy means a formal and mandatory dinner necessary for all participants to have full participation in the conference or event. A working dinner must include a formal agenda including a program or speakers that will impart necessary information important for full understanding of the subject matter of the conference. There should be several hours of informative sessions providing substantive information scheduled both before and after a working dinner. Indicators of a working dinner include seating for all participants. A cash bar is expressly prohibited.

Working lunch for purposes of this Policy is a formal and mandatory lunch necessary for all participants to have full participation in the conference or event. A working lunch must include a formal agenda including a program or speakers that will impart necessary information important for full understanding of the subject matter of the conference. There should be several hours of informative sessions providing substantive information scheduled both before and after a working lunch (exhibits are not included). Indicators of a working lunch include seating for all participants. A cash bar is expressly prohibited.

Work related event is a conference or meeting involving a topical matter that is of interest within the purview of the agency's mission and function.

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